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To: <GRAY@wapa.gov>
Date: 4/14/04 2:39PM
Subject: Section 12. Parker-Davis Contract Amendment

A-598

Dear Jean:

Even though the Arizona Power Authority does not receive Parker-Davis power, the Authority has a continuing interest in the ongoing discussions about proposed Section 12 of the Parker-Davis project contract amendment.

Our interest is heightened by earlier suggestions that language similar to Section 12 may find its way into Western's general power contract provisions. (I expressed the Authority's concerns about this in a letter earlier sent to Mr. Carlson.)

The Authority shares the views of the Colorado River Commission of Nevada and other Parker-Davis contractors who believe that the proposed language of Section 12 creates an unacceptable level of uncertainty in contracting for a federal preference resource. A contractor must have assurance of the stability of its resource in order to supply electricity to its customers and (if it depends on financing) provide security for its bondholders.

We recognize that the Hoover hydro resource differs from Parker-Davis, but the prospect of western-wide GPCPs that may contain similar language (or an effort to include such language in future amendments to the Hoover contracts) is of significant concern to us.

If, indeed, the proposed language for Section 12 is a prototype to be included in future Western electric service contracts (or in Western's GPCPs), I ask that you include the Authority in these discussions, lest we be foreclosed from input at some future date.

James P. Bartlett
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Arizona Power Authority

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